

Federal Reserve Links BCCI to

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The allegedly illegal purchase of large blocks of stock has linked the scandal-plagued Bank of Credit and Commerce International with some politically well-connected American bankers around the country—David L. Paul of CenTrust Savings of Miami and former Carter administration official Bert Lance at National Bank of Georgia.

Documents released by the Federal Reserve yesterday show that BCCI reached far beyond Washington's First American Bankshares Inc. and its chairman, Clark M. Clifford, for ties to people of influence.

In announcing its \$200 million fine against BCCI yesterday, the Fed charged that BCCI secretly, and illegally, acquired substantial ownership stakes in CenTrust and the National Bank of Georgia, as well as First American. The Fed said it has also referred some findings to the Justice Department for criminal investigation.

BCCI's interest in the two institutions is likely to fuel allegations that a bank considered an international rogue—with drug dealers and terrorists for customers—was trying to buy influence in Washington.

BCCI, the Federal Reserve charged yesterday, owned as much as one-quarter of the now-defunct CenTrust Savings, a savings and loan whose failure is expected to

cost taxpayers up to \$2 billion. The Miami S&L was reputed to be one of the most profligate members of the industry. At CenTrust's helm was Paul, a spender of legendary proportion who has drawn particular scrutiny for his efforts to cultivate Democratic politicians in Washington.

Fed officials looking into BCCI's involvement with First American said they were startled when they discovered in recent weeks that the international bank was smack in the middle of yet another scandal: the U.S. savings and loan debacle. The Fed charged that BCCI's secret acquisition of as much as 25 percent of CenTrust's voting stock was a violation of banking law, which requires the Fed board of governors to approve purchases of more than 5 percent.

Similarly, the Fed said that BCCI illegally acquired more than 25 percent of the voting stock in the National Bank of Georgia and concealed its stake from the Fed.

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The Fed charged that Pharaon acted as a front man in BCCI's acquisition of more than 1.5 million shares of CenTrust stock during 1988 and 1989. Pharaon borrowed the money for the stock purchases from BCCI—pledging the stocks themselves as collateral—and on April 14, 1989, he signed over con-

trol of his voting shares to BCCI, the Fed said.

CenTrust was closely allied with another highflying S&L—Charles Keating's California-based Lincoln Savings and Loan. Both were avid customers of Drexel Burnham Lambert Inc.'s junk bond wizard, Michael

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Milken, and are the targets of numerous federal lawsuits and investigations.

A Miami grand jury is reportedly investigating allegations that BCCI participated in an effort in early 1988, while CenTrust was undergoing an examination by regulators, to make the failing S&L look healthier than it

Miami, Georgia Banks

was. The Miami Herald has reported that BCCI bought \$25 million in junk bonds issued by capital-starved CenTrust, spurring a lackluster market, then sold the faltering bonds back to CenTrust for 100 cents on the dollar when regulators left.

A congressional source who has reviewed CenTrust examination records and other bank documents said they contain evidence of almost daily phone calls and messages from Pharaon to CenTrust officials in 1987 and 1988 from points around the globe, including Paris, Saudia Arabia and New York.

Congressional investigators are trying to determine whether any politicians intervened with regulators on behalf of CenTrust. Sen. Orrin G. Hatch (R-Utah) may be close to completing a report on CenTrust for his antitrust subcommittee. He and other Republicans in Congress have complained that the former Federal Home Loan Bank Board in Washington twice rejected their Atlanta field office's recommendation that enforcement action be taken against CenTrust, and they draw parallels between CenTrust and Lincoln Savings, which spawned the "Keating Five" scandal involving Keating's contributions to five senators.

Lists of Paul's political contacts obtained last year by the House Banking Committee from his desk calendar and limousine records and other sources show frequent meetings, some of them aboard his luxuri-

ous yacht, with politicians including former president Jimmy Carter and Senate Banking Committee members Donald W. Riegle Jr. (D-Mich.), Bob Graham (D-Fla.), John F. Kerry (D-Mass.) and Timothy E. Wirth (D-Colo.). Paul gave hundreds of thousands of dollars to campaigns of prominent Democrats.

Pharaon was also instrumental in BCCI's ownership interest in the National Bank of Georgia, the Fed said, in a way that mirrored his alleged CenTrust involvement.

Pharaon had purchased the Georgia bank from Bert Lance, who also helped BCCI acquire its ownership stake in First American Bank. Lance, a longtime adviser to Carter, was forced to resign as director of the Office of Management and Budget in 1977 amid an investigation of his Calhoun First National Bank in Georgia.

Pharaon owed money to BCCI in connection with other businesses, the Fed charged. When those businesses got into trouble in 1985, BCCI's auditor, Price Waterhouse, demanded BCCI reduce its exposure to Pharaon. BCCI took control of \$220 million in National Bank of Georgia stock that Pharaon had pledged as collateral on his loans from BCCI.

BCCI then sold the stock to its holding company, a transaction that required a change in Georgia banking law, which was accomplished "at least in part to the lobbying efforts" of the Georgia bank, the Fed said.